STATE OF CALIFORNIA GAV Governor

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

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October 11, 2022

Agenda ID #21038
and
Alternate Agenda ID #21039
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 20-09-019:

Enclosed are the proposed decision of Administrative Law Judge Amin Nojan previously designated as the presiding officer in this proceeding and the alternate proposed decision of Commissioner Alice Reynolds. The proposed decision and the alternate proposed decision will not appear on the Commission's agenda sooner than 30 days from the date they are mailed.

Pub. Util. Code § 311(e) requires that the alternate item be accompanied by a digest that clearly explains the substantive revisions to the proposed decision. The digest of the alternate proposed decision is attached.

This matter was categorized as ratesetting and is subject to Pub. Util. Code § 1701.3(c). Upon the request of any Commissioner, a Ratesetting Deliberative Meeting (RDM) may be held. If that occurs, the Commission will prepare and publish an agenda for the RDM 3 days beforehand. When an RDM is held, there is a related ex parte communications prohibition period. (See Rule 8.2(c)(4).)

When the Commission acts on these agenda items, it may adopt all or part of the decision as written, amend or modify them, or set them aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision and alternate decision as provided in Pub. Util. Code §§ 311(d) and 311(e) and in Article 14 of the Commission's Rules of Practice and Procedure (Rules), accessible on the Commission's website at www.cpuc.ca.gov. Pursuant to Rule 14.3, opening comments shall not exceed [15] pages.

Comments must be filed pursuant to Rule 1.13 and served in accordance with Rules 1.9 and 1.10. Electronic copies of comments should be sent to Commissioner Alice Reynolds' advisor Anand Durvasula at AD1@cpuc.ca.gov. The current service list for this proceeding is available on the Commission's website at www.cpuc.ca.gov.

/s/ MICHELLE COOKE
Michelle Cooke
Acting Chief Administrative Law Judge

MLC:sgu

Attachment

Agenda ID #21038
and
Alternate Agenda ID #21039
Ratesetting

DIGEST OF DIFFERENCES BETWEEN
ADMINISTRATIVE LAW JUDGE NOJAN PROPOSED DECISION AND THE ALTERNATE PROPOSED DECISION OF PRESIDING ALICE REYNOLDS

Pursuant to Public Utilities Code Section 311(e), this is the digest of the substantive differences between the Proposed Decision of Administrative Law Judge Nojan (mailed on October 11, 2022) and the proposed Alternate Proposed Decision of President Alice Reynolds (also mailed on October 11, 2022).

The Alternate Proposed Decision of President Reynolds differs from the Proposed Decision of ALJ Nojan in the amount of cost recovery Pacific Gas and Electric is authorized. The Proposed Decision of ALJ Nojan does not approve a proposed settlement and instead finds costs allowable or disallowable as detailed in the Proposed Decision. The Alternate Proposed Decision of President Reynolds adopts a proposed settlement with modifications to make certain disallowances permanent.

Agenda ID#21038
Alternate to Agenda ID#21039
Ratesetting

Decision **ALTERNATE PROPOSED DECISION OF COMMISSIONER ALICE REYNOLDS (Mailed 10/11/2022)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company (U39M) for recovery of recorded expenditures related to wildfire mitigation and catastrophic events, as well as other recorded costs.	Application 20-09-019

DECISION APPROVING SETTLEMENT

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DECISION APPROVING SETTLEMENT

Summary

This decision approves a contested Settlement Agreement, as modified, that resolves Application (A.) 20-09-019. Pursuant to the modifications detailed in Section 7.1.1.7 below, Pacific Gas & Electric Company (PG&E) may recover in total revenue requirement $1,036,961,500 for its operational and capital expenditures associated with recorded amounts in its (1) the Fire Hazard Prevention Memorandum Account, (2) the Fire Risk Mitigation Memorandum Account, (3) the Wildfire Mitigation Plan Memorandum Account, (4) the Catastrophic Events Memorandum Account (CEMA), (5) the Land Conservation Plan Implementation Account, and (6) the Residential Rate Reform Memorandum Account.

PG&E has requested a cost recovery of $1,983,247,000 equaling a revenue requirement of $1,280,657,000. This decision authorizes a revenue requirement amount of $1,036,961,500,[1] as modified by Section 7.1.1.7 below, broken down by account as follows:

1. Fire Hazard Prevention Memorandum Account authorized recovery amount: $240,041,000 in Operations and Maintenance (O&M),
2. Fire Risk Mitigation Memorandum Account and Wildfire Mitigation Plan Memorandum Account, collectively, authorized recovery amount: $588,648,500 in O&M and $15,834,000 in Capital Expenditures,
3. CEMA authorized recovery amount: $142,772,000 in O&M and $63,172,000 in Capital Expenditures,

[1] This number represents the Settlement Agreement's total figure reduced by $937,500 for Goodwill donations recorded as Operations and Maintenance in the Wildfire Mitigation Plan Memorandum Account.

4. Land Conservation Plan Implementation Account authorized recovery amount: $63,000 in O&M, and
5. Residential Rate Reform Memorandum Account authorized recovery amount: ($13,569,000) in O&M.

The rate allocation shall be consistent with what the Commission adopted in Decision (D.) 21-11-016, in A.19-11-019, PG&E's most recent cost allocation and rate design proceeding. Furthermore, PG&E shall only collect $559,927,000, the difference between the $477,034,500 in interim rate relief granted in D.20-10-026 and what is authorized in this instant decision.

The approved Settlement Agreement is contained in Appendix 1 of this Decision. The Decision finds the Settlement Agreement, as modified, is reasonable in light of the whole record of this proceeding, consistent with the law, and in the public interest. The parties to the Settlement Agreement are the Public Advocates Office, PG&E, and the Federal Executive Agencies.

The Utility Reform Network, Wild Tree Foundation, and Thomas Del Monte filed comments opposing the Settlement Agreement. This Decision finds that the concerns raised by these parties warrant modification but not rejection of the Settlement Agreement.

Application 20-09-019 is closed.

1. Procedural History

On September 30, 2020, Pacific Gas & Electric Company (PG&E) filed Application (A.) 20-09-019 seeking authorization to recover $1,280,657,000 in revenue requirements related to wildfire mitigation, certain catastrophic events, and a number of other activities. Additionally, PG&E seeks authorization to refund $3.7 million from the Residential Rate Reform Memorandum Account (RRRMA).

PG&E had filed a predecessor application on February 7, 2020, A.20-02-003 (Interim Rate Relief Application), seeking to recover, on an interim basis, 85% (or $899 million) of the revenue requirement associated with costs it incurred through December 31, 2019 in four of the memorandum accounts at issue in the instant proceeding: (1) the Fire Hazard Prevention Memorandum Account; (2) the Fire Risk Mitigation Memorandum Account; (3) the Wildfire Mitigation Plan Memorandum Account; (4) the Catastrophic Event Memorandum Account. In Decision (D.) 20-10-026 the Commission approved $447,034,500 in interim rate recovery (approximately 35% of the total), subject to reviewing the reasonableness of the costs recorded in those accounts. Recovery of the $447,034,500 commenced in December 2020.

In the instant application, A.20-09-019, PG&E requests an additional $423 million in incremental revenue requirements beyond its request in the Interim Rate Relief Application, resulting in an outstanding request for $868 million in revenue when accounting for the $447 million already authorized for collection. Though currently $868 million remaining is sought for cost recovery, the reasonableness assessment for the full amount booked in the memorandum accounts, $1,983,247,000 in costs[2] reduced to $1,280,657,000 in revenue requirement, is the subject of this proceeding.

The Utility Reform Network (TURN), Public Advocates Office, Thomas Del Monte (Del Monte), and Wild Tree Foundation filed protests to the Application. Peninsula Clean Energy Authority, Pioneer Community Energy, and Sonoma Clean Power (the Joint CCAs) filed a response to the Application.

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[2] The cost total includes an Assembly Bill (AB) 1054 reduction of $18,735,000 for foregone equity return on rate base, a proposed refund of $3,738,000 in the RRRMA, and $3,481,000 in costs not sought for recovery pursuant to an Ernst &Young audit.

PG&E filed a Reply to Protests and Response. Del Monte filed a Response to PG&E's Reply to Protests and Response.

The Commission held a telephonic prehearing conference on December 4, 2020, where the Federal Executive Agencies (FEA) Motion for Party Status was granted. The previous Assigned Commissioner, Marybel Batjer, issued a Scoping Memo and Ruling on December 23, 2020.

The Commission held evidentiary hearings on June 14, 2021 through June 16, 2021. On July 23, 2021, PG&E, Del Monte, Public Advocates Office, TURN, Wild Tree Foundation, and FEA filed Opening Briefs.

On September 21, 2021, PG&E, on behalf of itself, FEA, and the Public Advocates Office, filed a Joint Motion for Approval of Settlement Agreement. On October 28, 2021, TURN, Del Monte, and Wild Tree Foundation filed comments on the proposed settlement agreement. On November 12, 2021, PG&E, the Public Advocates Office, and FEA jointly filed reply comments on the proposed settlement agreement.

On October 13, 2021, the Assigned Administrative Law Judge (ALJ) issued a ruling directing the filing of a joint summary table. On December 17, 2021, Public Advocates Office filed a Motion for Leave to Identify and Admit PG&Es Data Request Responses Into Evidence, in addition to a Motion to File Under Seal Attachment B. On January 18, 2022, the ALJ issued a ruling granting the Public Advocates Office's December 17, 2021 Motions and submitting the record for this proceeding.

D.21-09-041 extended the statutory deadline for the issuance of a proposed decision until April 1, 2022, concurrent with the 18-month statutory timeframe for resolving ratesetting proceedings. D.22-04-018 extended the statutory deadline from April 1, 2022 to October 1, 2022.

1.1. Issues to be Decided

The Scoping Memo identified the following issues:

a. Whether the Commission should grant PG&E's request to recover up to $1.3 billion in revenue requirement.

b. Whether the recorded costs are reasonable and incremental in nature.

c. Whether the costs are appropriate to record and recover through the corresponding account.

d. Whether the cost recovery proposal is reasonable.

e. Whether the Commission should grant PG&E's proposal to recover the authorized revenue requirements over a 12-month or 24-month period, or some other time period.

f. Whether the Commission should grant PG&E's proposed functionalization of the costs at issue in the Application.

Each of these issues will be reviewed for the memorandum accounts for which PG&E seeks recovery.

2. Description of Memorandum Accounts Under Review

This application includes costs from six accounts:

a. Fire Hazard Prevention Memorandum Account,

b. Fire Risk Mitigation Memorandum Account,

c. Wildfire Mitigation Plan Memorandum Account,

d. Catastrophic Events Memorandum Account,

e. Land Conservation Plan Implementation Account, and

f. Residential Rate Reform Memorandum Account.

2.1. Fire Hazard Prevention Memorandum Account

The Fire Hazard Prevention Memorandum Account (FHPMA) is used to record costs related to what are known as the "Fire Safety Rulemakings" that began in 2008. In Rulemaking (R.) 08-11-005, the Commission issued D.09-08-029, which directed PG&E to establish a memorandum account to track costs associated with changes to General Order (GO) 95 and other wildfire related measures.[3] PG&E may recover reasonable costs prudently incurred to comply with the State's requirements to reduce fire hazards for electric transmission and distribution lines. In D.12-01-032 the Commission ordered recorded costs in the FHPMA shall not be recovered elsewhere and the memorandum account shall close in the first general rate case (GRC) that occurs after the close of the proceeding.[4] Because the FHPMA account is now closed, the instant proceeding is the final review of costs within the FHPMA.[5]

2.2. Fire Risk Mitigation Memorandum Account and Wildfire Mitigation Plan Memorandum Account

The Wildfire Mitigation Plan Memorandum Account (WMPMA) and the Fire Risk Mitigation Memorandum Account (FRMMA) both arose from legislation enacted in 2018.[6] The purpose of the Wildfire Mitigation Plan Memorandum Account is to record incremental costs incurred to implement an approved wildfire mitigation plan that are not otherwise recovered as part of PG&E's approved revenue requirement. The purpose of the Fire Risk Mitigation Memorandum Account is to record incremental costs of fire risk mitigation work not otherwise recovered as part of PG&E's approved revenue requirement or its WMPMA.

The Commission's Energy Division found PG&E's Advice Letter 5419-E to be compliant with SB 901 and approved its request to open a Fire Risk Mitigation

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[3] D.09-08-029, Ordering Paragraph 7.

[4] D.12-01-032, Ordering Paragraph 14. (*See* also D.14-02-016, OP 3.)

[5] D.20-12-005 at 318.

[6] *See,* Public Utilities (Pub. Util.) Code § 8386.4. *See also*, AB 1054 (Ch. 79, Stats. 2019) amending Senate Bill (SB) 901 (Ch. 626, Stats. 2018).

Memorandum Account effective January 1, 2019.[7] In the FRMAA, PG&E is authorized to "track costs incurred for fire risk mitigation that are not otherwise covered in the electrical corporation's revenue requirements."[8]

On August 8, 2019, the Energy Division approved, retroactive to June 5, 2019, PG&E's Advice Letter 5555-E establishing a Wildfire Mitigation Plan Memorandum Account to track costs incurred implementing its Wildfire Mitigation Plan (WMP) pursuant to SB 901 and D.19-05-037.[9]

PG&E states that FRMMA was used to track costs incurred and contemplated by its 2019 WMP, after the account's retroactively established date of January 1, 2021 but before to the Commission approved its 2019 WMP on June 4, 2021.[10] And the WMPMA was used to record costs after the 2019 WMP was approved on June 4, 2019.[11]

2.3. Catastrophic Event Memorandum Account

The Catastrophic Event Memorandum Account is used to record costs for: "(1) [r]estoring utility services to customers, (2) [r]epairing, replacing, or restoring damaged utility facilities, [and] (3) [c]omplying with governmental agency orders in connection with events declared disasters by competent state or federal authorities."[12] PG&E seeks interim cost recovery for the costs associated with five events from 2019 in its CEMA account: (1) the January/February Severe Storms; (2) the October Wind Events; (3) the Glencove Fire; (4) the

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[7] Letter from Energy Division to PG&E Approving Advice Letter 5419-E, dated March 12, 2019.

[8] Pub. Util. Code § 8386.4(b)(1).

[9] Letter from Energy Division to PG&E Approving Advice Letter 5555-E, dated August 8, 2019

[10] Exhibit PGE-1 at 1-8, fn.4

[11] Ibid.

[12] Pub. Util. Code § 454.9(a).

Camino Fire, and (5) tree mortality and fire risk reduction activities conducted pursuant to Commission Resolution ESRB-4.

2.4. Land Conservation Plan Implementation Account

Commission Resolution E-4072 (May 3, 2007) authorized PG&E to pursue an application to recover the costs recorded in the Land Conservation Plan Implementation Account to process applications before the CPUC or the Federal Energy Regulatory Commission (FERC) for transactions necessary to implement the Land Conservation Plan approved in D.03-12-035. The costs recorded in this account date back to 2011.

2.5. Residential Rate Reform Memorandum Account

The application also includes a $3.7 million refund due to overcollections relating to the Residential Rate Reform Memorandum Account. In the Residential Rate Reform Memorandum Account, PG&E recorded costs incurred in response to the Residential Rate Reform Order Instituting Rulemaking during the 2017-2019 GRC cycle. For 2017-2019, PG&E recorded $54,161,754 in total costs. Per the 2017 GRC decision, PG&E recovered via the Annual Electric True-up $19.3 million annually, subject to refund, for costs recorded to the Residential Rate Reform Memorandum Account or a total of $57.9 million from 2017 through 2019.[13] In this application, PG&E seeks to refund the difference between the recorded amount of $54,161,754 in the Residential Rate Reform Memorandum Account, which is $3,738,246 less than the $57,900,000 that PG&E already recovered.[14]

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[13] *See* D.17-05-013, Authorizing PG&E's General Rate Case Revenue Requirement for 2017-2019.

[14] Exhibit PGE-1 at Chapter 7, at 7-1.

3. Requested Cost Recovery

PG&E identified a total of $1,280,657,000 in associated revenue requirement for the Fire Hazard Prevention Memorandum Account ($293,269,000), Fire Risk Mitigation Memorandum Account/Wildfire Mitigation Plan Memorandum Account ($739,874,000), Catastrophic Event Memorandum Account ($251,175,000), Land Conservation Plan Implementation Account ($77,000), and Residential Rate Reform Memorandum Account (negative $3,738,000) recorded in the accounts covered by this application.

If the full amount proposed its application were approved, PG&E states that the additional $868 million in revenue requirement would result the typical electric customer seeing an approximately $7.64 per month increase and the typical residential gas customer would see an approximately $0.10 per month increase over currently effective rates.[15] However, pursuant to D.20-10-026, $447,034,500 of the requested revenue requirement has already been collected in interim rates, in part to provide rate stability, so typical rate increases will be proportionally reduced.

4. The Settlement Agreement

On September 21, 2021, PG&E, Public Advocates Office, and FEA (Settling Parties) jointly filed a Motion for Adoption of Settlement Agreement.[16] The proposed Settlement Agreement would resolve all issues within the scope of the proceeding.

The proposed settlement would authorize PG&E to recover approximately $1.038 billion to be collected as follows:

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[15] Exhibit PGE-1 at Chapter 10, at 10-11.

[16] *See* Appendix 1 to this decision.

1. The D.20-10-026 Interim 2020 Wildfire Mitigation and Catastrophic Event Revenue Requirement will continue until fully collected.
2. An additional revenue requirement of $590,865,000 over a 23-month amortization period following the conclusion of the 17-month amortization period for the Interim 2020 Wildfire Mitigation and Catastrophic Event Revenue Requirement.

Pursuant to the settlement, the Final 2020 Wildfire Mitigation and Catastrophic Event Revenue Requirement of approximately $1.038 billion would reflect recovery of 81% of the $1,280,657,000 revenue requirement proposed in A.20-09-019.

The Settlement Agreement proposes a revenue requirement of $958,893,000 in total O&M expenses and $79,006,000 in total capital expenditures.[17] The Settling Parties state that the various elements and sections of this Settlement Agreement are closely interrelated and should not be altered, "as the Settling Parties intend that the Settlement Agreement be treated as a package of elements that balances and aligns the interests of each Settling Party."[18] The Settling Parties recommend the Commission approve the Settlement Agreement without modification.

4.1. The Settling Parties

The Settling Parties state that the Settlement Agreement is the negotiations among the parties over a period of time that necessitated an extended settlement deadline. For the reasons stated below, the Settling Parties ask the Commission

[17] Joint Summary Tables (corrected), filed by PG&E and Public Advocates Office on November 10, 2021, Appendix 2 to this decision.

[18] Settlement Agreement at 1.

to find the Settlement Agreement is reasonable in light of the whole record, consistent with the law, and in the public interest.

4.1.1. Reasonable in Light of the Whole Record

The Settling Parties assert that the Settlement Agreement reflects a reasonable balance of the various interests in this proceeding by knowledgeable and experienced parties who have a well-documented history of strongly held positions. They note that the Settlement Agreement proposed revenue requirement essentially reflects Public Advocates Office's litigation position.

4.1.2. Consistent with the Law

The Settling Parties assert that the Settlement Agreement is consistent with the law because the costs are for activities that carry out "important California state and Commission policy objectives for wildfire mitigation, CEMA response activities, and other environmental- and customer-focused initiatives" and were tracked and recorded in previously CPUC-approved memorandum accounts.[19] And lastly, that they are aware of no statutory provisions or controlling law that would be contravened or compromised by the Settlement Agreement.

4.1.3. In the Public Interest

The Settling Parties claim the Settlement Agreement is in the public interest because it substantially reduces the costs that customers will cover while conserving the Commission's and the Settling Parties' time and resources, which in turn benefits customers.

5. Comments on the Settlement Agreement

Peninsula Clean Energy Authority, Pioneer Community Energy, and Sonoma Clean Power (the Joint CCAs) did not enter into the Settlement

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[19] Joint Motion for Adoption of Settlement Agreement at 12.

Agreement, nor did they file comments on the Settlement Agreement. Comments were filed by TURN, Del Monte, and Wild Tree Foundation.

5.1. TURN

TURN argues that "the total revenue forgone by PG&E under the settlement is insufficient, given the strength of the record as developed thus far in support of far higher disallowances".[20] In particular, TURN claims the Settlement Agreement is unreasonable because it deems all capital expenditures for 2019 system hardening and distribution line replacements to be just and reasonable.[21] TURN highlights that the Settlement Agreement's 19% reduction (or about $152 million) of capital expenditures used to calculate the 2017-2022 revenue requirements, does not permanently disallow any of the capital expenditures recorded in the FRMMA/WMPMA for system hardening or any of the capital expenditures recorded in the WMPMA for distribution line replacements. TURN contends these "unreasonable" capital expenditures, could be added to rate base in the future, and should therefore be disallowed permanently. In the alternative to rejection of the Settlement Agreement, TURN argues that the 19% reduction in capital costs should be extended to the depreciable life of the assets as opposed to the six-year revenue requirement timeframe that is the subject of the Settlement Agreement. TURN asserts that if the 19% reduction of capital expenditures is eliminated in future ratemaking applications, then (assuming a 40 to 50 year asset life) the reduction in total capital revenue requirement is 2% or less.

[20] TURN Comments on Settlement at 2-3.

[21] TURN Comments on Settlement at 11.

The Settling Parties do not agree with TURN's characterization of "unreasonable" capital costs, explaining the work completed consists of new electric, gas and power generation facilities for work completed under PG&E's wildfire mitigation and CEMA programs, is expected to provide value for future generations of customers over the next several decades. The Settling Parties point to Section 5.2 of the Settlement Agreement which provides "with respect to revenue requirements associated with authorized expense and capital costs, PG&E shall recover the cumulative 2017-2022 revenue requirements over the approved amortization periods in Sections 5.1.1[22] and 5.1.2[23] through routine advice letter filings. Future revenue requirements associated with capital expenditures in A.20-09-019 will be included in future GRCs or as authorized.[24]

5.2. Del Monte

Del Monte opposes the Settlement Agreement and asserts it has a lack of specifics on categories of recovered costs and that CEMA costs related to the Tubbs Fire do not meet the conditions for recovery. Del Monte contends that the proposed Settlement fails to "adequately represent all issues relevant to the public interest" as it is only a compromise between the positions of PG&E and the Public Advocates Office.[25]

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[22] Settlement Agreement at 5: Section 5.1.1, "the interim 2020 WMCE revenue requirement of $447,034,500 granted in D.20-10-026 shall continue until fully collected by PG&E over the 17-month amortization period authorized in that decision."

[23] Settlement Agreement at 5: Section 5.1.2, "An additional revenue requirement of $590,865,000 shall be recovered over a 24-month amortization period following the conclusion of the 17-month amortization period for the Interim 2020 WMCE Revenue Requirement."

[24] Settling Parties Comments at 6; Settlement Agreement at 5.

[25] Del Monte Comments on the Settlement Agreement at 10.

5.3. Wild Tree Foundation

Wild Tree Foundation opposes, intra alia, the Settlement Agreement because it asserts PG&E's 2019 PSPS events violated applicable laws, rules and regulations, and as such should not be eligible for cost recovery. Wild Tree Foundation also claims that other CEMA events do not otherwise meet the conditions for recovery. Furthermore, Wild Tree Foundation characterizes the Settlement Agreement as "allow[ing] PG&E to collect a completely random amount for which the Proposed Settling Parties have provided no evidence or argument[.]"[26]

The Settling Parties respond that the Commission need not address Wild Tree Foundation's arguments regarding PSPS costs because the proposed Settlement Agreement includes a 19% reduction for PSPS costs recorded in the WMPMA.[27] The Settling Parties considered the positions by TURN and the Public Advocates Office on PSPS reduction costs, and purports the underlying settlement contemplates these issues in the agreed upon revenue requirement reduction.[28]

6. Reply Comments on the Settlement Agreement

Reply comments by the Settling Parties rebut the objections to the Settlement Agreement. They claim that PG&E has made a strong showing for the recovery of the costs in the Settlement Agreement, that wildfire mitigation work is required by California and Commission law and policy, and that costs were audited by an independent third party (Ernst & Young). Their reply asserts

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[26] Wild Tree Comments on Settlement Agreement at 4.

[27] Joint Reply Comments at 14.

[28] Joint Reply Comments at 14.

that the overall revenue requirement for 2017-2022 is a reasonable compromise between the litigation positions of PG&E, Public Advocates Office, and TURN, and that settling on an overall revenue requirement basis, as opposed to cost categories, is reasonable given the divergent litigation positions on cost within various categories.

In response to TURN's alternative position that capital disallowances be made permanent, the Settling Parties respond that future costs will be included in future GRCs. As explanation, the Settling Parties point to D.20-11-035, which approved a Settlement with the term that "PG&E will continue to recover the authorized Electric Distribution and Gas Distribution capital revenue requirements beyond December 31, 2022 in its next GRC, currently slated for 2023 Test Year."[29]

7. Discussion

7.1. Settlement Agreement Standard of Review

Rule 12.1(d) states, "The Commission will not approve settlement, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with the law, and in the public interest."

The Commission has also stated that, "Beyond this basic [Rule 12.1(d)] standard, we have incorporated other standards into its analysis, which have largely depended on situational factors, such as the type of proceeding at issue, the interests of the settling parties and whether the settlement is contested."[30]

This is a contested settlement and we have said, "[A] contested settlement is not entitled to any greater weight or deference merely by virtue of its label as a settlement; it is merely the joint position of the sponsoring parties, and its

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[29] Joint Reply Comments at 7, fn16

[30] D.20-12-015 at 9.

reasonableness must be thoroughly demonstrated by the record."[31] However, contested or not, the Commission has long favored the settlement of disputes.[32] This policy supports many worthwhile goals, including reducing the expense of litigation, conserving scarce Commission resources, and allowing parties to reduce the risk that litigation will produce unacceptable results.

While our policy is to favor settlement of disputed issues, our standard of review for settlements is designed to ensure that settlements meet a minimum standard of reasonableness in light of the law and the record of the proceeding. A settlement can be unreasonable, and we will not be persuaded to approve unreasonable settlements simply because of a general policy favoring the approval of settlements. There are several characteristics that can render a settlement unreasonable. One such attribute is the presence of significant deviations from Commission findings, policies, and practices if those deviations are not adequately explained and justified in the motion for the settlement's adoption. Another such attribute is the lack of demonstration that the settlement fully and fairly considered the interests of all affected entities – both parties and non-party entities such as affected customers. We have no obligation to approve unreasonable settlements.

With this standard in mind, we turn to the contested settlement at issue here.

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[31] D.02-01-041 at 13.

[32] For examples of adoptions of contested or not all-party settlements where the Commission still recognizes the favoring of settlements *see* D.18-05-042 at 20, and D.11-05-018 at 16.

7.1.1. The Proposed Settlement is Reasonable if Modified

The Commission has a well-established policy of adopting settlements if they are fair and reasonable in light of the whole record. In D.00-09-034, the Commission held that the parties' evaluation of their respective litigation positions and the settlement agreement is reasonable because it represents the best efforts of the settling parties.

After review of the Settlement Agreement dated September 21, 2021, we conclude the Settlement Agreement is reasonable in light of the whole record if it is modified as discussed below in Section 7.1.1.7. The substantive record of this proceeding includes an application, protests and responses to that application, testimony, evidentiary hearings, opening briefs, motions and rulings regarding the scope of the record, a joint motion for approval of Settlement Agreement, responses to Settlement Agreement and a reply to those responses.

While the standard for review is to look at the settlement as a whole in relationship to the whole record, it is worth explaining our approval of the Settlement Agreement in relation to some of the basic disputes in this proceeding as raised by the non-settling parties. Those disputes, as demonstrated by the record, are the reasonableness of certain costs related to: CEMA; PSPS events; system hardening; vegetation management; the incrementality of costs and the level of granularity in the Settlement Agreement; and, TURN's proposed modification regard the reduction in capital expenditures allowed.

7.1.1.1. CEMA Expenses

PG&E requests recovery of $347 million recorded to the CEMA. The non-settling parties provide recommendations for disallowances regarding recorded CEMA expenses.

Del Monte recommends that the Commission deny PG&E's CEMA cost recovery for the Tubbs fire in its entirety. Asserting, inter alia, that if PG&E had corrected prior vegetation management deficiencies it "would have with near certainty avoided the Tubbs Fire and resulting CEMA costs."[33] Del Monte cites no evidence in support of the conclusion that vegetation management would have avoided the Tubbs Fire and instead simply assumes that the fire would not have spread. This assertion involves hypothetical conditions and does not establish that costs resulting from the Tubbs Fire would have been avoided with certainty, near or not, if PG&E had done the work Del Monte claims should have been done. Moreover, CalFIRE has concluded that PG&E did not cause the fire and the Commission's Safety and Enforcement Division has found no violations by PG&E with respect to the fire.[34] Lastly, the cause of the Tubbs Fire is outside the scope of this proceeding.[35]

Del Monte also asserts that the Tubbs fire was a man-made disaster and not a natural disaster and thus is not eligible under CEMA. This is not the proper test for CEMA eligibility under Public Utilities Code Section 454.9.

Wild Tree argues that various CEMA events are not eligible events because they are predictable reoccurring events, the declared state of emergencies was

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[33] Del Monte Opening Brief at 11.

[34] Exhibit PGE-105 (CAL FIRE Tubbs Fire Report of Investigation); Exhibit PGE-106 (SED Report Regarding Tubbs Fire); *see also* Tr., Vol. 1, June 7, 2021 Status Conference, 24:22 to 26:7 (Commission will take official notice of these reports), D.20-05-019 at 60-61.

[35] Assigned Commissioner's Scoping Memo and Ruling (Dec. 23, 2020) at 3; *see also* Administrative Law Judge's Ruling Denying Motion to Amend Scope and Denying Motion to Strike Testimony (May 21, 2021) at 3-4.

caused by human activity as opposed to natural disasters, or beyond the scope of an emergency declaration. We find these arguments unconvincing.

7.1.1.2. PSPS Events

TURN and Wild Tree Foundation would reduce or deny completely PG&E's costs for some 2019 PSPS events because of its mismanagement. D.21-06-014 did find PSPS events should be a last resort mitigation measure and that the utilities' deficiencies in their 2019 PSPS actions required a monetary remedy.[36] That remedy was a disallowance of "any undercollections of previously authorized revenue requirement due to the lower volumetric sales caused by a power shutoff during a PSPS event."[37] That matter is being addressed in A.20-02-009. Additionally, D.21-09-026 looked at 2019 PSPS events and penalized PG&E $106.003 million, which included requiring PG&E to provide bill credits of $18.585 million to harmed customers and made shareholders fund $1.418 million in backup portable batteries.[38] We find in this proceeding that the Settlement Agreement's overall 19% reduction in costs covered by this application reasonably accounts for managerial decisions made during the 2019 PSPS events.

7.1.1.3. System Hardening

TURN takes issue with certain system hardening costs that occurred in the lower 5% of identified High Fire-Threat District (HFTD) and for replacement of assets that it claims were unreasonably replaced. We note that the work was done in HFTD, which are areas of elevated fire risk, in furtherance of wildfire risk mitigation efforts as required by state law and set forth in PG&E's Wildfire

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[36] D.21-06-014 at 2, 59.

[37] D.21-06-014 at 60-61.

[38] D.21-09-026 at 2 and OPs 2-4.

Mitigation Plan, but we also note that PG&E has been found lacking in its prioritization[39] of work before, on balance we agree with the Settling Parties' 19% reduction in the revenue requirement to capture disallowance of inefficiencies in implementing the plan.

Regarding the replacement of assets, there is evidence that this work advanced wildfire mitigation and was done in fulfillment of its 2019 Commission approved WMP. For example, PG&E states it replaced 706 non-exempt fuses in 2019 in HFTDs – in other words it replaced fuses that may generate arc or sparks during normal operations.[40] We approved PG&E's system hardening plan in its 2019 WMPs as being consistent with SB 901 but acknowledged that additional analysis should be included in its future WMPs.[41] And PG&E acknowledged that the WMPs was "an iterative process."[42] While we reiterate that approval or ratification of an WMP is no guarantee for rate recovery, we also recognize the state of knowledge at the time these decisions were made. In totality, we find that the whole of the record shows that Settlement Agreement's 19% overall reduction in revenue requirement is reasonable.

7.1.1.4. Vegetation Management

TURN also raises concerns regarding the removal of all trees within a 12-foot buffer zone around electrical infrastructure, without any analysis of the tree type and risk. Some of this work was done during a 4-month period ending in December 2018 as part of the required implementation of PG&E's wildfire

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[39] Resolution M-4852, placing PG&E into the Enhanced Oversight and Enforcement Process for failure to sufficiently prioritize its Enhanced Vegetation Management work based on risk. That process is progressing separately from this proceeding.

[40] Exhibit PGE-1 at 2-18.

[41] D.19-05-037 at 19

[42] D.19-05-037 at 17.

mitigation plan through an accelerated program focusing on Tier 3 HFTD areas and adjacent areas of Tier 2 HFTD, while other work was done over 2019. Tier 2 HFTD, or elevated risk, is defined as including likelihood and potential impacts of occurrence for utility associated wildfires.[43] Tier 3 HFTD, or extreme risk, is distinguished from Tier 2 by having the *highest likelihood* of fire ignition and growth that would impact people or property from utility associated fires, and where the most restrictive utility regulations are necessary to reduce utility fire risk.[44]

We note that the Commission's Rulemaking (R.18-10-007) to implement SB 901 was opened contemporaneously, and that our related guidance to PG&E to refine their tree removal processes came in mid-2019, after some of the costs at issue were incurred.[45] As electric corporation's wildfire mitigation plans are submitted and approved annually, lessons are learned and regulatory and utility expertise is built.[46] We find that given the requirements in existence in late 2018 the Settlement Agreement's 19% overall reduction in revenue requirement is reasonable. However, as we review wildfire mitigation costs from subsequent years in future applications we will consider that PG&E continues to receive more detailed direction on its activities and those facts may be relevant to our review.

7.1.1.5. Incrementality

Incrementality of costs is a standard requirement for recovery of memorandum accounts costs but how to measure it is a matter of disagreement

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[43] Exhibit PGE-1 at 2-12, citing CPUC HFTD Map Tier Definitions.

[44] Exhibit PGE-1 at 2-12; citing CPUC HFTD Map Tier Definitions.

[45] D.19-05-037 at OP 7.

[46] *See* generally Resolutions WSD-002, Resolution WSD-003, Resolution WSD-021.

amongst the parties.[47] Traditionally, memorandum accounts are for matters that are not included in GRC forecasts, like emergency events or new and costly regulatory obligations that arose between GRC proceedings. Consistent with this approach, in 2019 the Legislature recognized the need to track and recover costs for wildfire mitigation, given the urgency of the need to undertake extensive work quickly to reduce the risk of wildfire ignitions and with the understanding that WMP and GRC review timelines do not necessarily sync up. This wildfire mitigation work is critical to the state's overall efforts to prevent catastrophic wildfires, but it is also critical that ratepayers are not charged twice for the same work or capital expenditures.

TURN and the Public Advocates Office take the approach that if PG&E did not complete the originally forecasted activity and instead redirected those labor or resources towards wildfire mitigation activities, without demonstrating PG&E backfilled for the activities from which its workforce was redeployed, such costs should not be considered incremental. TURN provides the following summary to highlight the fundamental ratemaking dispute between Public Advocates Office and PG&E's view of incrementality:

> Public Advocates Office argues that if PG&E were able to perform the necessary recovery work without hiring additional staff, or using overtime, then the actual "incremental" cost to PG&E was zero, and so PG&E should not recovery any additional costs. This constitutes Public Advocates Office "straight-time labor" disallowance. Similarly, the advocacy group disallows various overhead expenses that are already included in rate base.

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[47] Exhibit PG&E-1 "Incremental" costs are those labor, equipment, material, contract, and other support costs associated with work that is not included in PG&E's GRC authorized revenue requirements or other recovery mechanisms.

> PG&E argues that rate case forecasts are based on "activities" not staffing numbers, and that CEMA recovery work was specifically not "forecast" for recovery in its rate case, and PG&E explains that it specifically "removes CEMA costs from the GRC."[48]

Regarding the CEMA account, TURN argues PG&E fails to provide any explanation of actual financial consequences to the utility of using existing straight-time labor to do the recovery work recorded to CEMA.[49] TURN believes there is no evidence that PG&E truly incurred incremental costs, arguing the utility bases its argument on the theoretical accounting argument that "CEMA work" is excluded from rate case forecasts.[50]

PG&E provides a demonstration of incrementality in testimony. PG&E explains how historically the utility's GRC revenue requirement contemplated routine or baseline levels of emergency response activity, vegetation management, electric asset inspection work, and electric asset maintenance and replacements.[51] In recent years however, PG&E notes the utility incurred incremental costs in these areas to address heightened wildfire risks and comply with both Commission policy and state rule changes.[52] The utility confirms that each of the costs included in the instant application relates to work that is new, or in addition to, what was contemplated by PG&E's existing rates, confirming PG&E does not forecast CEMA costs in their GRCs.[53]

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[48] TURN Opening Brief at 55 to 56.

[49] TURN Opening Brief at 56.

[50] TURN Opening Brief at 56.

[51] Exhibit PGE-1 at 8-1.

[52] Exhibit PGE-1 at 8-1.

[53] Exhibit PGE-1 at 8-2.

Regarding wildfire costs, PG&E provides three different mechanisms to track the incrementality of the costs requested. First, PG&E tracks costs associated with this incremental work in the FRMMA and WMPMA memorandum accounts, which is separate from those used to track costs comprising PG&E's base rates. PG&E testifies that such costs were also tied to specific work orders to ensure they had not already been recovered through existing rates, other proceedings, or any other recovery mechanism.[54] Second, PG&E hired an independent auditor, Ernst & Young to evaluate whether the wildfire mitigation costs were booked to the appropriate memorandum accounts and were for activities that were incremental to those contemplated by rates established in the GRC.[55] And finally, PG&E claims they incorporated lessons learned from prior filings to address questions on the utility's methodologies for ensuring incrementality.[56]

Turning to the independent audit, Ernst & Young concluded no exclusions would materially affect the balances of the memorandum accounts.[57] Specifically, Ernst & Young found no evidence to question PG&E's conclusions that costs were: (1) incurred for activities set forth in the corresponding, relevant commission-approved memorandum accounts; (2) accurately recorded; and (3) incremental in nature.[58] The audit additionally identifies $2.9 million (extrapolated to $6.2 million) that were not properly supported for inclusion in the memorandum accounts largely due to: (1) unsupported vendor expenses,

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[54] Exhibit PGE-1 at 8-2.

[55] Exhibit PGE-1 at 8-2.

[56] Exhibit PGE-1 at 8-2.

[57] Exhibit PGE-1, Attachment A at 7.

[58] Exhibit PGE-1, Attachment A at 7.

consisting of unsubstantiated per diems, inconsistent hotel charges, labor expense inconsistencies, and other unsubstantiated miscellaneous expenses; (2) markups, instances where vendors would be directly contracted by PG&E for a specific service and also engaged as a subcontractor for a different service; (3) transaction recorded in the wrong account, limited to costs recorded in FRMMA that should have been in the FHPMA; (4) labor and overhead charges for nuclear generation employees; and (5) employee expense charges that were not accompanied with labor charged to WMCE accounts.[59] The Ernst & Young audit highlights all excluded amounts for the aforementioned cost categories were validated and conformed by PG&E for removal from the instant application.[60] Ratepayers will not be charged for the removed costs.

Regardless of these analytical differences between the parties, there is no evidence to suggest that double-counting occurred in this case. Indeed, the costs claimed here were validated in an independent audit performed by Ernst & Young and no party has identified duplicative costs.

Going forward we expect electric corporations to clearly delineate in their GRCs how their forecasted costs are separate and distinct, including labor and overhead, from the costs they are presently, or in the future, tracking in wildfire related memorandum accounts and to make a similar showing in any application for which they seek recovery of recorded costs, including a catastrophic wildfire proceeding. The Commission has found that an incrementality analysis can compare costs incurred to those previously "authorized recovery for similar expenditures,"[61] and it is not necessary to compare costs recorded in

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[59] Exhibit PGE-1, Attachment A at 7.

[60] Exhibit PGE-1, Attachment A at 7.

[61] D.21-08-024 at 19-20; *see* also D.22-06- at 12-14.

memorandum accounts against companywide authorized expenses. The Legislature also anticipated this issue and held the chief executive officer of each electric corporation accountable for ensuring applications do not seek double recovery.[62]

Recently, in D.22-06-032, the Commission noted that it is inconsistent with prospective ratemaking principles to use "costs recorded in a memorandum or balancing account to offset forecast variances for unrelated budget categories."[63] The Commission recognized the issue of "whether the current ratemaking framework is incentivizing the reassignment of resources authorized in a GRC to activities not otherwise included in the GRC but whose costs are separately recoverable via a memorandum or balancing account."[64] Generally, costs are incremental if, in addition to completing the planned work that underlies the authorized costs, the utility had to procure additional resources, be they in labor or materials, to complete the new activity. The existence and completion of a new activity by itself does not prove the cost was incremental. If a new activity is completed by redirecting existing resources in a related work category, no incremental cost was incurred, despite the activity itself being "incremental." Here, we evaluate the proposed settlement, taken as a whole. On balance, as we find the whole of the Settlement Agreement reasonable (subject to modification as described herein), we need not evaluate the incrementality of individual expenditures on which parties to the settlement have reached a compromise.

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[62] Pub. Util. Code § 8386.4(b)(3) requires PG&E's chief executive officer to certify that it "has not received authorization from the commission to recover the costs in a previous proceeding, including wildfire cost recovery applications."

[63] D.22-6-032 at 10.

[64] D.22-06-032 at 12.

7.1.1.6. Specificity

Regarding lack of specificity, as detailed above, the standard of review is whether or not a settlement is reasonable in light of the whole record. We do not need to determine the reasonableness of every asserted sub-issue. And while no settlement is precedential, prior settlements have also included a certain level of generality. For example, in D.22-03-011 we approved a settlement between PG&E, TURN, and Public Advocates Office that stated, "The $37 million in total revenue requirement reduction is not specific to any particular CEMA events, and is instead a global reduction"[65] The Settling Parties Joint Summary Tables does provide a reasonable level of detail in this instance, and we adopt the revenue requirement breakdown as expressed in Attachment A to the Joint Summary Tables (Corrected), filed on November 10, 2021, subject to the modifications discussed below.[66]

Looking at the whole of the record, the proposed Settlement Agreement, which results in a $242.757 million reduction in the total revenue requirement request of $1,280.657 million – a reduction of about 19% - represents a reasonable compromise between the respective parties' positions.

7.1.1.7. Recommended Modifications

The Commission finds that the settlement agreement should be approved with modifications rather than rejected outright or outrightly approved. The Commission recognizes the parties' extensive settlement efforts and the Commission's policy favoring settlements. Furthermore, there are meritorious aspects of the settlement agreement as detailed above.

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[65] D.22-03-011 at 16.

[66] *See* Appendix 2 to this decision.

However, due to the uncertain nature of future cost recovery of capital expenditures and the lack of clarity regarding Goodwill donations, the Commission cannot approve the settlement agreement as submitted. Pursuant to Rule 12.4(c) of the Commission's Rules of Practice and Procedure, the Commission may propose alternative terms to the parties to a settlement and allow the parties reasonable time to elect to accept such terms or request other relief. The modifications to the proposed settlement set forth in this decision constitute such "alternative terms."

Regarding funds used for Goodwill donations, we do not find these costs to be reasonable for ratepayer recovery and it is unclear if this cost is included in the Settlement Agreement or is excluded, so we are further reducing its revenue requirement by this amount.

The Public Advocates Office recommends a $937,500 reduction, arguing the donations and sponsorships included in its Wildfire Mitigation Plan Memorandum Account request for the CWSP PMO are image building activities and not incremental wildfire activities eligible for recording to the Wildfire Mitigation Plan Memorandum Account. PG&E does not oppose the disallowance for Goodwill donations and sponsorships funded by the PMO, stating it "does not expect ratepayers to fund these activities and included these costs in error."[67]

The Commission finds that the cost for philanthropic efforts must be borne by the utility and not ratepayers and finds the recommended reduction of $937,500 reasonable.

[67] PG&E Opening Brief at 51.

Regarding TURN's alternative proposal to extend the Settlement Agreement's 19% reduction through the life of the included capital assets, we agree. While the Settlement Agreement does state that "[f]uture revenue requirements associated with capital expenditures in A.20-09-019 will be included in future GRCs or as authorized," we find that to be insupportably vague.[68] And as such, we find the Settlement Agreement's claimed 19% reduction to be an incomplete understanding of the terms. We are also not convinced the parties have a mutual understanding as to what they agreed to. FEA's response to TURN's data request states it presumes capital expenditures disallowed under the Settlement Agreement to be permanently disallowed from rate base.[69] Whereas PG&E claims there is no permanent disallowance.[70] We find that under these circumstances, it is not in the public interest to make long-lived capital expenditures only partially disallowable for a limited number of years and then potentially fully recoverable for the remainder of their useful life.

Given the above, we are modifying the Settlement Agreement to make the 19% reduction in capital expenses permanent through the full service life of the subject assets. Because the Settlement Agreement's general disallowance figure does not list which specific capital expenditures are disallowed, we require the Settling Parties, pursuant to Rule 14.2(c), to propose how they will implement this permanent disallowance of 19% of the included capital costs.

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68 Settlement Agreement Section 5.2.

69 TURN Comments on the Joint Motion for Approval of the Settlement Agreement at Appendix A.

70 TURN Comments on the Joint Motion for Approval of the Settlement Agreement at Appendix A.

7.1.2. The Proposed Settlement is Consistent with the Law if Modified

Based on our review of the Settlement Agreement and the record of this proceeding, we find the Settlement Agreement, as modified herein, is consistent with the Public Utilities Code, Commission decisions, and all other applicable laws.

The costs were tracked and recorded in memorandum accounts previously approved by the Commission. Many of these costs were incurred by PG&E's attempts to meet Commission approved and/or ratified wildfire mitigation plans, risk mitigation strategies, or in response to government-declared emergency events.

The terms and scope of the proposed Settlement Agreement are similar to past Commission decisions regarding CEMA-related settlements.[71]

7.1.3. The Proposed Settlement is in the Public Interest if Modified

Based on our review of the Settlement Agreement and the record of this proceeding, we find the Settlement Agreement, as modified herein, is in the public interest. The Commission has previously noted that "in order to consider [a] proposed Settlement Agreement … as being in the public interest, we must be convinced that the parties have a sound and thorough understanding of the application and all the underlying assumptions and data included in the record.

[71] As an example, the proposed Settlement Agreement is similar to D.22-03-011, whereas "The Parties did not determine separate revenue requirements for each event." (D.22-03-011 at 15-16.). *See* also, D.18-06-011's finding that a settlement agreement between PG&E, TURN and Cal Advocates (then ORA) represents a reasonable compromise on the dispute of the incrementality of CEMA straight-time labor and overhead costs. (D.18-06-011 at 7.)

This level of understanding of the application and development of an adequate record is necessary to meet our requirements for considering any settlement."[72]

In this instance the Settling Parties are sophisticated parties. PG&E and Public Advocates Office, particularly, have extensive experience and expertise with Commission ratemaking applications. The record here is well developed with the proposed Settlement Agreement occurring after testimony, hearings and opening briefs. We are convinced that Settling Parties have a sound and thorough understanding of the application and all the underlying assumptions and data included in the record. The Settling Parties also fairly represent the interests of the public affected by application.

Substantively, the 19% overall reduction in the revenue requirement is within the public interest as the Settling Parties acknowledge the cost burden on customers of PG&E's original request. Also, the cause of much of the costs at issue are related to wildfire mitigations, wildfire impacts and other issues that impact customers. Advancement of the policy and legal goals that are the genesis of, or related to, the costs at issue are the public interest. Issues and concerns raised by the non-settling parties were reviewed and considered but do not rise to the level of making the proposed Settlement Agreement, as modified, fail the public interest analysis of our standard of review.

7.1.4. Approval of Settlement

We reviewed the proposed Settlement Agreement pursuant to Rule 12.1(d) and find the settlement, as modified herein, meets the three criteria of reasonableness, legal consistency, and being in the public interest.

[72] D.20-12-005 at 25-26.

We grant the motion of the Settling Parties to adopt the Settlement, with the modifications outlined in Section 7.1.1.7. We authorize recovery of $1,036,961,500 in revenue requirement, as modified in Section 7.1.1.7 of this decision and consistent with the ratemaking treatment afforded in Section 9 of the instant decision.

8. Election to Accept Modifications

Pursuant to Rule 12.4(c) of the Commission's Rules of Practice and Procedure, the Commission may propose alternative terms to the parties to a settlement and allow the parties reasonable time to elect to accept such terms or request other relief. The modifications to the proposed settlement set forth in this decision constitute such "alternative terms." The Settling Parties have 20 days from the service of this Alternate Proposed Decision to file and serve a motion accepting the modifications to the proposed settlement or requesting other relief.

9. Ratemaking

PG&E recommends that the rates set to recover costs that are approved in this proceeding be determined in the same manner as rates set to recover other Electric Distribution, Power Generation, Gas Distribution, and Gas Transmission costs, using the current Commission adopted methodologies for revenue allocation and rate design. PG&E notes that revenue allocation and rate design are being considered in Phase II of PG&E's 2020 GRC. PG&E recommends that the Commission's decision regarding cost recovery in this proceeding is consistent with the Commission's final decision on revenue allocation in the GRC Phase II proceeding (A.19-11-019).[73] The decision adopting revenue

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[73] PG&E Opening Brief at 96-97.

allocation in PG&E's GRC Phase II for A.19-11-019, D.21-11-016, was adopted on November 18, 2021.

TURN recommends that "the outcome in A.19-11-019 should establish the allocation for the electric utility costs as of January 1, 2022, when PG&E expects rate recovery of the WCME [*sic*] revenue requirements to begin."[74] TURN states that because PG&E agrees that the question of cost recovery be made consistent with the CPUC's final decision on revenue allocation in the GRC Phase II, the allocation issue no longer appears to be in dispute between the parties.

The Federal Executive Agencies states that it supports PG&E's position regarding cost allocation or, if the settlement on rate allocation is adopted in Phase II of PG&E's GRC (A.19-11-019), then that allocation should be substituted for the allocation presented in PG&E's direct testimony in this docket.[75]

There does not appear to be controversy among the parties to this proceeding regarding revenue allocation. For purposes of consistency and ease of evaluating rate impact, the revenue allocation for costs authorized in this proceeding will be consistent with what was adopted in D.21-11-016.

10. Conclusion

This decision authorizes PG&E to recover a total revenue requirement of $1,036,961,500, subject to the modifications in Section 7.1.1.7 above. For purposes of collection in rates, this recovery is reduced by an amount of $447,034,500 due to the proceeding's interim decision, D.20-10-026, that allowed some interim revenue requirement collection.

[74] TURN Opening Brief at 57.

[75] Federal Executive Agencies Opening Brief at 1-2.

This decision's rate recovery is based on a settlement that, as modified, we find reasonable in light of the whole record, consistent with law, and in the public interest, for the reasons discussed herein.

Ratemaking treatment for the authorized amounts shall be consistent with D.21-11-016.

11. Comments on Proposed Decision

The alternate proposed decision of President Alice Reynolds in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on __________, and reply comments were filed on _____________ by ________________.

12. Assignment of Proceeding

Alice Reynolds is the assigned Commissioner and Amin Nojan is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. On September 30, 2020, PG&E filed A.20 09 019 for recovery of recorded expenditures related to wildfire mitigation and catastrophic events, as well as other recorded costs.

2. On September 21, 2021, PG&E, the Public Advocates Office, and the Federal Executive Agencies jointly filed a Motion for Approval of Settlement Agreement proposing recovery of approximately $1.038 billion in revenue requirement.

3. On October 28, 2021, TURN, Thomas Del Monte, and the Wild Tree Foundation filed comments opposing the proposed Settlement Agreement.

4. The proposed Settlement Agreement presents a compromise of the Settling Parties positions and identifies a settled cost recovery amount as a revenue requirement.

5. The proposed Settlement Agreement reflects a 19% reduction in overall revenue requirement.

6. The proposed Settlement Agreement would authorize a revenue requirement of $958,893,000 in total Operating and Maintenance expenses and $79,006,000 in total Capital Expenses.

7. We find that the cause of the Tubb's Fire is outside the scope of this proceeding.

8. We find the Settlement Agreement's overall reduction in revenue requirement reasonably accounts for managerial decisions made during the 2019 PSPS events.

9. We find the Settlement Agreement's overall reduction in revenue requirement reasonably accounts for managerial decision regarding system hardening prioritization and replacement of assets.

10. We find the Settlement Agreement's overall reduction in revenue requirement reasonably accounts for managerial decision regarding vegetation management for the time period covered by this application.

11. We find the Settlement Agreement's overall reduction in revenue requirement reasonably accounts for the requirement that costs tracked in memorandum accounts must be incremental.

12. There is no evident to suggest that double-counting of costs occurred in this instance.

13. Ernst & Young performed an audit of PG&E and identified costs that were not supported.

14. PG&E has removed the costs identified by Ernst & Young from its requested recovery.

15. The Settlement Agreement does not specify which activities, in whole or in part, are to be disallowed.

16. We find the Settlement Agreement's language, "[f]uture revenue requirements associated with capital expenditures in A.20-09-019 will be included in future GRCs or as authorized" to be unduly vague.

17. We find that the Settling Parties do not express a common understanding of the future revenue requirements associated with the capital expenditure disallowances.

18. We find it is not in the public interest to potentially long-lived capital expenditures partially disallowable for a limited number of years and then potentially fully recoverable the remainder of their useful life.

19. It is reasonable to make the Settlement Agreement's disallowance of capital expenses permanent through the full service life of the subject assets.

20. It is reasonable to require the Settling Parties to propose how they will implement a permanent disallowance of the unrecovered capital expenditures.

21. Utility expenditures related to donations and image building are not eligible for cost recovery as part of a CEMA request

22. The Commission finds that the cost for philanthropic efforts must be borne by the utility and not ratepayers and finds the recommended reduction of $937,500 reasonable.

23. A lengthier amortization period can soften the impact to customer rates when the revenue to be recovered is substantial.

24. Adopting the same revenue allocation mechanism in the instant proceeding as the Commission adopted in Phase II of PG&E's GRC will ensure consistency and simplify the evaluation of rate impacts.

25. PG&E has already been authorized to recover $447,034,000 in interim rate relief pursuant to D.20-10-026.

26. The recovery authorized by this decision includes the amounts authorized in D.20-10-026 and is not in addition to those amounts.

Conclusions of Law

1. As modified, the Settlement Agreement is reasonable in light of the record.
2. As modified, the Settlement Agreement is consistent with applicable law.
3. As modified, the Settlement Agreement is in the public interest.
4. As modified, the Settlement Agreement should be approved.
5. Consistent with the Commission's findings, the 19% reduction of capital expenditures should be reflected in future ratemaking applications through the full service life of the assets related to the disallowed capital expenditures.
6. Rule 12.4(c) of the Commission's Rules of Practice and Procedure requires the Settling Parties to be given the opportunity to accept the modifications to the Settlement Agreement or to seek other relief.
7. Under Rule 12.5, the adopted of the proposed Settlement, as modified, creates no precedent for subsequent applications, except for the expressly adopted requirement to exclude disallowed capital expenses in future ratemaking requests.
8. The revenue allocation for costs authorized in this proceeding should be consistent with what was adopted in D.21-11-016.

O R D E R

IT IS ORDERED that:

1. The Settlement Agreement, dated September 21, 2021, attached as Appendix 1 to this decision is approved with the modifications outlined in Section 7.1.1.7 of this decision.

2. Consistent with the Settlement Agreement, dated September 21, 2021, attached as Appendix 1 to this decision, and as modified in Section 7.1.1.7 of this decision, including the reduction of $937,500 for philanthropic costs, Pacific Gas and Electric Company is authorized to recover $1,036,961,500, which includes amounts authorized in Decision 20-10-026.

3. Consistent with the Settlement Agreement terms and conditions attached as Appendix 1, and Section 7.1.1.7 of this decision, Pacific Gas and Electric Company shall not include capital expenses in any future ratemaking proceeding for assets related to disallowed capital expenses in this proceeding during the full service life of those assets.

4. Application 20-09-019 is closed.

This order is effective today.

Dated ____________________________, at San Francisco, California.

APPENDIX 1

APPLICATION 20-09-019

SETTLEMENT AGREEMENT IN PG&E'S APPLICATION FOR RECOVERY OF RECORDED EXPENDITURES RELATED TO WILDFIRE MITIGATION AND CATASTROPHIC EVENTS, AS WELL AS OTHER RECORDED COSTS, RESOLVING APPLICATION 20-09-019

1. Introduction

The parties to this Settlement Agreement are: Pacific Gas and Electric Company (PG&E), the Public Advocates Office at the California Public Utilities Commission (Cal Advocates), and Federal Executive Agencies (FEA) (each a Settling Party and collectively referred to as the Settling Parties). In accordance with Article 12 of the Rules of Practice and Procedure (Rules) of the California Public Utilities Commission (Commission or CPUC), the Settling Parties hereby agree to settle and resolve all of the issues within the scope of Application (A.) 20-09-019 as established by Administrative Law Judge Nojan's December 23, 2020 Scoping Ruling. A.20-09-019 is also referred to in shorthand as PG&E's 2020 Wildfire Mitigation and Catastrophic Events (2020 WMCE) application. The details of this Settlement Agreement and agreed-upon WMCE revenue requirements are set forth herein.

The Settling Parties bargained earnestly and in good faith to compromise and develop this Settlement Agreement, which is the product of arms-length negotiations on a number of disputed issues, in order to minimize the time, expense, and uncertainty of continued litigation of this proceeding. The Settling Parties agree that the Settlement Agreement addresses each disputed issue in a fair and balanced manner.

This Settlement Agreement is the product of concessions and trade-offs among the Settling Parties. Thus, the various elements and sections of this Settlement Agreement are closely interrelated and should not be altered, as the Settling Parties intend that the Settlement Agreement be treated as a package of elements that balances and aligns the interests of each Settling Party. Accordingly, the Settling Parties respectfully recommend that the Commission approve each and every aspect of the Settlement Agreement without modification.

2. Settling Parties

The parties to this Settlement Agreement are:

- PG&E, the Applicant, which is a public utility that provides natural gas and electric service to approximately 16 million people throughout a 70,000-square-mile service area in northern and central California;
- Cal Advocates, an independent organization within the CPUC that advocates solely on behalf of utility ratepayers; and
- Federal Executive Agencies, which represents the consumer interests of the federal agencies located in PG&E's service territory.

3. Overview of PG&E's Cost-Recovery Request

3.1. Revenue Requirement Requested in A.20-09-019: In A.20-09-019, PG&E requested a revenue requirement of $1,280.657 million to recover PG&E's costs for certain wildfire mitigation, catastrophic event, and other activities, as recorded in the following CPUC-approved memorandum accounts for PG&E:

(1) Fire Hazard Prevention Memorandum Account (FHPMA) – The purpose of the FHPMA is to track and record PG&E's costs to complete various fire hazard prevention activities in order to comply with regulations and requirements adopted in Commission Rulemaking (R.) 08-11-005, R.15-05-006, and related proceedings.

(2) Wildfire Mitigation Plan Memorandum Account (WMPMA) – The purpose of the WMPMA is to track and record PG&E's costs to complete various wildfire mitigation activities contained in PG&E's Wildfire Mitigation Plans (WMPs), as approved by the CPUC, that are not otherwise recovered in PG&E authorized revenue requirements.

(3) Fire Risk Mitigation Memorandum Account (FRMMA) – The purpose of the FRMMA is to track and record PG&E's costs to complete various other fire risk mitigation work not outlined in PG&E's CPUC-approved WMPs, or prior to approval of a WMP, that are not otherwise recovered in PG&E authorized revenue requirements.

(4) Catastrophic Event Memorandum Account (CEMA) – The purpose of CEMA is to record PG&E's costs for "(1) restoring utility services to customers, (2) repairing, replacing, or restoring damaged utility facilities, and (3) complying with governmental agency orders in connection with events declared disasters by competent state or federal authorities."[1]

(5) Land Conservation Plan Implementation Account (LCPIA) – The purpose of the LCPIA is to track and record PG&E's costs to process applications before the CPUC or the Federal Energy Regulatory Commission (FERC) for transactions necessary to implement the Land Conservation Plan approved in Decision (D.) 03-12-035.

(6) Residential Rate Reform Memorandum Account (RRRMA) – The purpose of the RRRMA is to track and record PG&E's costs in response to the Residential Rate Reform Order Instituting Rulemaking (RROIR).

3.2. Interim Revenue Requirement Requested in A.20-02-003: In A.20-02-003, PG&E requested authorization to recover, on an interim basis, a portion of the revenue requirement requested in A.20-09-019. The Commission issued D.20-10-026 authorizing PG&E to recover, on an interim basis, no more than $447,034,500 in revenue for its recorded FHPMA, FRMMA, and WMPMA costs, over a 17-month amortization period, with interest, from December 2020 through the end of April 2022. (The authorized revenue and amortization period approved in D.20-10-026 is referred to in this Settlement Agreement as the "Interim 2020 WMCE Revenue Requirement").[2]

4. PROCEDURAL AND SETTLEMENT HISTORY

4.1. Parties' Submissions: PG&E submitted its Application and supporting testimony on September 30, 2020. Responsive testimony was served on April 14, 2021 by Cal Advocates, TURN, Federal Executive Agencies (FEA), and Mr. Thomas Del Monte. PG&E

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1 Public Utilities Code Section 454.9(a).

2 D.20-10-026, Ordering Paragraph 1. The decision further noted that for the approved amortization period, "[s]hould PG&E begin recovery after December 2020, the end of the recovery period shall be extended commensurately."

submitted its rebuttal testimony on April 30, 2021. Evidentiary hearings were held June 14-16, 2021. Opening briefs were submitted on July 23, 2021 by PG&E, Cal Advocates, TURN, FEA, Mr. Del Monte, and Wild Tree Foundation (WTF). On July 30, 2021, upon reaching the agreement in principle that led to this Settlement Agreement, the Settling Parties filed a joint motion to vacate the briefing deadline for reply briefs and extend the settlement deadline to August 20, 2021. On August 2, 2021, Administrative Law Judge Nojan granted this motion. The settlement deadline has further been extended to September 21, 2021 to allow the Settling Parties additional time to finalize proposed settlement terms and properly notice a settlement conference.

4.2. Notice of Settlement Conference: On September 7, 2021, PG&E issued a Notice of Settlement Conference pursuant to Rule 12.1(b). PG&E served the notice on the service list for A.20-09-019. On September 14, 2021, PG&E and Cal Advocates held a properly noticed settlement conference, fulfilling all requirements under Rule 12.1 prior to the Settling Parties signing this Settlement Agreement.

5. Settlement Terms and Conditions

This Settlement Agreement represents a negotiated compromise and resolves the issues raised by the Settling Parties in A.20-09-019 and those within the scope of the proceeding as identified by Administrative Law Judge Nojan's December 23, 2020 Scoping Ruling, subject to the terms and conditions set forth below:

5.1. Final 2020 WMCE Revenue Requirement: A revenue requirement of $1,037.9 million (referred to as the Final 2020 WMCE Revenue Requirement) shall be recovered for costs recorded in the FHMPA, FRMMA, WMPMA, CEMA, LCPIA, and RRRMA included in A.20-09-019. The $1,037.9 million Final 2020 WMCE Revenue Requirement consists of $958.894 million in expense revenue requirement and $79.006 million in capital expenditure revenue requirements, for the 2017-2022 period. The Final 2020 WMCE Revenue Requirement reflects an 81% recovery (19% reduction) of the original $1,280.657 million revenue requirement proposed in A.20-09-019, for the 2017-2022 period. The recorded costs that make up the Final 2020 WMCE Revenue Requirement for the 2017-2022 period consist of $958.894 million in expense and $649.001 million in capital expenditures. The Settling Parties agree that $829.627 million in expense and $591.64 million in capital expenditures tracked and recorded in the FHPMA, FRMMA, and WMPMA, including $350 million in capital expenditures tracked and recorded in the WMPMA on or after August 1, 2019, are and should be deemed just and reasonable. The Final 2020 WMCE Revenue Requirement shall be collected as follows:

5.1.1. The Interim 2020 WMCE Revenue Requirement of $447,034,500 granted in D.20-10-026 shall continue until fully collected by PG&E over the 17-month amortization period authorized in that decision.

5.1.2. An additional revenue requirement of $590,865,000 shall be recovered over a 24-month amortization period following the conclusion of the 17-month amortization period for the Interim 2020 WMCE Revenue Requirement.

5.1.3. PG&E shall accrue interest associated with the Final 2020 WMCE Revenue Requirement based on the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, G.13, or its successor. The interest calculation shall utilize the average balance of unrecovered amounts, with the average calculated using the beginning and end of month balances.

5.2. Recovery of Expense and Capital Costs: With respect to revenue requirements associated with authorized expense and capital costs, PG&E shall recover the cumulative 2017-2022 revenue requirements over the approved amortization periods in Sections 5.1.1 and 5.1.2 through routine advice letter filings. Future revenue requirements associated with capital expenditures in A.20-09-019 will be included in future GRCs or as authorized.

5.3. Reporting Requirements: All reporting requirements for PG&E contained in D.20-10-026 shall remain effective. In addition, PG&E shall submit information in future reports as described in Attachment 1.

5.4. Financing: PG&E reserves the right to apply for the issuance of a financing order pursuant to California Utilities Code Sections 850, *et seq*. to issue recovery bonds for the FHPMA, FRMMA, and WMPMA costs approved as just and reasonable under this Settlement Agreement. Cal Advocates and FEA reserve the right to oppose any request for financing through securitization of any portion of these costs.

5.5. Cost Allocation: Revenue requirements for each PG&E functional area shall be assigned based on the costs recorded by functional area, as shown in Attachment 2. The Settling Parties further agree that PG&E's electric revenue requirement adopted in this proceeding shall be allocated in accordance with the Revenue Allocation (RA) Settlement Agreement proposed in A.19-11-019 or as otherwise approved in the final decision in that proceeding. For the Electric Distribution revenue requirement adopted in this proceeding that is associated with FHPMA, FRMMA, WMPMA, and CEMA, PG&E shall utilize the Special Allocator for CEMA, HSM, and Wildfire Mitigation costs outlined in the RA Settlement Agreement or as otherwise approved in A.19-11-019. For the Power Generation and other Electric Distribution revenue requirements adopted in this proceeding, PG&E shall utilize the standard generation and distribution allocators, respectively, as adopted by a final decision in A.19-11-019. To the extent PG&E applies for the issuance of a financing order pursuant to California Utilities Code Sections 850*, et seq*. to issue recovery bonds for the FHPMA, FRMMA, and WMPMA approved as just and reasonable under this Settlement Agreement, the financing order, not this Settlement Agreement, shall establish the cost allocation of the recovery bonds.

5.6. Reasonableness of Settlement Terms: The Settling Parties agree that this Settlement Agreement is reasonable in light of the evidentiary record, consistent with law, and in the public interest. The Settling Parties agree that this Settlement Agreement complies with Rule 12.1(d).

5.7. Plain Meaning of Terms: The Settling Parties agree that the language in all provisions of this Settlement Agreement shall be construed according to its fair meaning and not for or against any Settling Party because that Settling Party or its counsel or advocate drafted the provision. The descriptive headings in this Settlement Agreement are for reference only and are not intended to have any substantive meaning or interpretive value.

5.8. Commission's Primary Jurisdiction and Governing Law: The Settling Parties agree that the Commission has primary jurisdiction over any interpretation, enforcement, or remedies regarding this Settlement Agreement. No Settling Party may bring an action regarding this Settlement Agreement in any state or federal court or administrative agency without having first exhausted its administrative remedies at the Commission. This Settlement Agreement shall be governed by the Rules of the California Public Utilities Commission and the laws of the State of California.

5.9. Further Actions and Joint Support: The Settling Parties acknowledge that this Settlement Agreement is subject to approval by the Commission. As soon as practicable after all the Settling Parties have signed the Settlement Agreement, the Settling Parties through their respective attorneys shall prepare and file a Joint Motion for Approval and Adoption of the Settlement (Motion). The Settling Parties agree to actively support prompt approval of the Settlement Agreement, including through written and oral testimony if testimony is required, appearances, briefing, filing an appeal of a Presiding Officer's decision, and other means as needed to obtain the approvals sought. The Settling Parties shall furnish such additional information, documents, or testimonies as the Commission may require for purposes of granting the Motion and approving and adopting the Settlement Agreement.

5.10. No Personal Liability: None of the Settling Parties, or their respective employees, attorneys, or any other individual representative or agent, assumes any personal liability as a result of the Settling Parties signing this Settlement Agreement.

5.11. Non-Severability: The provisions of this Settlement Agreement are non-severable.

5.12. Voluntary and Knowing Acceptance: Each Settling Party acknowledges and stipulates that it is agreeing to this Settlement Agreement freely, voluntarily, and without any fraud, duress, or undue influence by any other Settling Party. Each Settling Party has read and fully understands its rights, privileges, and duties under this Settlement Agreement, including its right to discuss this Settlement Agreement with its legal counsel, which has been exercised to the extent deemed necessary by each Settling Party.

5.13. Entirety of Agreement: This Settlement Agreement embodies the entire understanding and agreement of the Settling Parties with respect to the matters described, and it supersedes prior oral or written agreements, principles, negotiations, statements, representations, or understandings among or between the Settling Parties with respect to those matters.

5.14. No Modification: Until such time as the Commission has adopted this Settlement Agreement, the Settlement Agreement may not be altered, amended, or modified in any respect except in writing and with the express written and signed consent of all the Settling Parties.

5.15. No Reliance: No Settling Party has relied or presently relies on any statement, promise, or representation by any other Settling Party, whether oral or written, except as specifically set forth in this Settlement Agreement. Each Settling Party expressly assumes the risk of any mistake of law or fact made by such Settling Party or its authorized representative.

5.16. Counterparts: This Settlement Agreement may be executed in separate counterparts by the different Settling Parties hereto and all so executed shall be binding and have the same effect as if all the Settling Parties had signed one and the same document. All such counterparts shall be deemed to be an original and together constitute one and the same Settlement Agreement, notwithstanding that the signatures of the Settling Parties or of a Settling Party's attorney or other representative do not appear on the same page of this Settlement Agreement.

5.17. Binding Upon Full Execution: This Settlement Agreement shall become effective and binding on each of the Settling Parties as of the date when it is fully executed. It shall also be binding upon each of the Settling Parties' respective successors, subsidiaries, affiliates, representatives, agents, officers, directors, employees, and personal representatives, whether past, present, or future.

5.18. Commission Adoption Not Precedential: In accordance with Rule 12.5, the Settling Parties agree and acknowledge that unless the Commission expressly provides otherwise, Commission approval and adoption of this Settlement Agreement does not constitute approval of or precedent regarding any principle or issue of law or fact in this or any other current or future proceeding.

5.19. Enforceability: The Settling Parties agree and acknowledge that after issuance of a Commission decision approving and adopting this Settlement Agreement, the Commission may reassert jurisdiction and reopen this proceeding to enforce the terms and conditions of this Settlement Agreement.

5.20. Finality: Once fully executed by the Settling Parties and adopted and approved by a Commission decision, this Settlement Agreement fully and finally settles any and all disputes among and between the Settling Parties in this proceeding, unless otherwise specifically provided in the Settlement Agreement.

5.21. No Admission: Nothing in this Settlement Agreement or related negotiations may be construed as an admission of any law or fact by any of the Settling Parties, or as precedential or binding on any of the Settling Parties in any other proceeding whether before the Commission or in any state or federal court or administrative agency. Further, unless expressly stated herein, this Settlement Agreement does not constitute an acknowledgement, admission, or acceptance by any of the Settling Parties regarding any issue of law or fact in this matter, or the validity or invalidity of any particular method, theory, or principle of ratemaking or regulation in this or any other proceeding.

5.22. Authority to Sign: Each Settling Party executing this Settlement Agreement represents and warrants to the other Settling Parties that the individual signing this Settlement Agreement and the related Motion on its behalf has the legal authority to do so.

5.23. Limited Admissibility: Each Settling Party signing this Settlement Agreement agrees and acknowledges that this Settlement Agreement shall be admissible in any subsequent Commission proceeding for the sole purpose of enforcing the Terms and Conditions of this Settlement Agreement.

5.24. Estoppel or Waiver: Unless expressly stated herein, the Settling Parties' execution of this Settlement Agreement is not intended to provide any of the Settling Parties a basis to claim estoppel or waiver in any manner in this or any other proceeding.

5.25. Rejection or Modification of the Settlement Agreement: The Settling Parties agree that if the Commission declines to adopt this Settlement Agreement in its entirety and without modification, the Settling Parties shall convene a settlement conference within 15 days of such Commission action(s) to discuss whether they can resolve the issues raised by the Commission's action(s). If the Settling Parties cannot mutually agree to resolve the issues raised by the Commission's action(s), the Settlement Agreement shall be rescinded, and the Settling Parties shall be released from their respective obligations to support the Settlement Agreement. Thereafter, the Settling Parties may pursue any action they deem appropriate, but agree to cooperate in establishing a procedural schedule. The Settling Parties reserve all rights set forth in Rule 12.4 of the Rules of Practice and Procedure.

6. Conclusion

Each of the Settling Parties has executed this Settlement Agreement as of the date appearing below their respective signature.

THE PUBLIC ADVOCATES OFFICE By: Linda Serizawa Name: Linda Serizawa Title: Cal Advocates Deputy Director FEDERAL EXECUTIVE AGENCIES By: ___________________ Name: Rita M. Liotta Title: FEA Counsel	PACIFIC GAS AND ELECTRIC COMPANY By: ________________________ Name: David Thomason Title: Vice President, Controller, Utility Chief Financial Officer
Date: September 21, 2021	Date: September 21, 2021

6. Conclusion

Each of the Settling Parties has executed this Settlement Agreement as of the date appearing below their respective signature.

THE PUBLIC ADVOCATES OFFICE By: ________________________ Name: Linda Serizawa Title: Cal Advocates Deputy Director FEDERAL EXECUTIVE AGENCIES By: ___________________ Name: Rita M. Liotta Title: FEA Counsel	PACIFIC GAS AND ELECTRIC COMPANY By: ________________________ Name: David Thomason Title: Vice President, Controller, Utility Chief Financial Officer
Date: September 21, 2021	Date: September 21, 2021

6. Conclusion

Each of the Settling Parties has executed this Settlement Agreement as of the date appearing below their respective signature.

THE PUBLIC ADVOCATES OFFICE By: ______________________ Name: Linda Serizawa Title: Cal Advocates Deputy Director FEDERAL EXECUTIVE AGENCIES By: LIOTTA.RITA.M.1177442557 Digitally signed by LIOTTA.RITA.M.1177442557 Date: 2021.09.21 10:49:50 -07'00' Name: Rita M. Liotta Title: FEA Counsel	PACIFIC GAS AND ELECTRIC COMPANY By: ______________________ Name: David Thomason Title: Vice President, Controller, Utility Chief Financial Officer
Date: September 21, 2021	Date: September 21, 2021

ATTACHMENT 1

ATTACHMENT 1

The Settling Parties agree that PG&E shall submit certain information in connection with future Wildfire Mitigation and Catastrophic Events applications or other reports or submissions, as specified herein (the "Reporting Requirements"). Except where otherwise provided, the applicable time period for the Reporting Requirements is January 1, 2022, to the extent feasible, through December 31, 2026, or until a decision in the 2023 GRC establishes new reporting requirements, if any, superseding those contained herein (the "Reporting Period").

A. Reporting Requirements

1. Overhead System Hardening: In PG&E's annual System Hardening Report, submitted in July of each year pursuant to the 2020 GRC Settlement, PG&E will include the following information from the preceding year:

    a. The number of poles replaced and the reason for each pole replacement.
    b. The forecasted costs for PG&E's overhead system hardening program at an overall unit cost level by the following categories:
        1. Internal labor (except estimating)
        2. External labor (except estimating)
        3. Vegetation costs
        4. Estimating costs
        5. Material
        6. Permitting
        7. Other

    c. For each overhead system hardening project completed (i.e., 100% fully constructed), the following cost information:

        i. The recorded cost per mile broken down by activity. Specifically, for each project, PG&E will provide a recorded cost breakdown by the following categories:

            1. Internal labor (except estimating)
            2. External labor (except estimating)
            3. Vegetation costs
            4. Estimating costs
            5. Material
            6. Permitting
            7. Other

        ii. The costs will be provided by project, along with the total number of miles completed for that project. The costs can be divided by the number of miles for the project to provide a cost per mile by activity.

2. Vegetation Management: In PG&E's annual System Hardening Report, submitted in July of each year pursuant to the 2020 GRC Settlement, PG&E will include the following information:

   a. For Routine Vegetation Management work completed the during the preceding year, the following information:

      i. For work billed on a per unit basis:
         1. The total direct cost of trees trimmed;
         2. The total direct cost of trees felled;
         3. The number of trees trimmed;
         4. The number of trees felled;
         5. The average cost per unit for trees trimmed; and
         6. The average cost per unit for trees felled.

      ii. For work billed pursuant to Time & Equipment contracts, the total direct cost of trees removed and felled, jointly.

      iii. For work billed pursuant to Lump Sum contracts:
         1. The total direct cost of trees removed and felled, jointly;
         2. The number of trees trimmed;
         3. The number of trees felled; and
         4. The average cost per unit for trees trimmed and felled, jointly.

      iv. The total overhead cost; and

      v. The average overhead cost per unit.

   b. For Enhanced Vegetation Management work completed during the preceding year, the following information:

      i. For work billed on a per unit basis:
         1. The total direct cost of trees trimmed;
         2. The total direct cost of trees felled;
         3. The number of trees trimmed;
         4. The number of trees felled;
         5. The average cost per unit for trees trimmed; and
         6. The average cost per unit for trees felled.

      ii. For work billed pursuant to Time & Equipment contracts, the total direct cost of trees removed and felled, jointly.

      iii. The total overhead cost; and

      iv. The average overhead cost per unit.

3. Public Safety Power Shutoff (PSPS): PG&E shall provide the following information within three months of filing any cost-recovery application seeking reasonableness review of costs incurred to execute any PSPS events between January 1, 2021 and December 31, 2026:

   a. For each such PSPS event, PG&E shall provide a spreadsheet showing the factors considered, other than subject matter expertise, and the data relied on in the decision to shut off power on a given circuit or portion of a circuit at the most granular level available, as described below.

   b. For example, for PSPS events occurring in 2021, PG&E will provide the following information for each circuit de-energized at the 2x2 km model resolution:

      i. The product of FPI probability catastrophic fire and IPW probability ignition (CFPD) catastrophic fire probability;
      ii. Which PSPS criteria this cell hour is met for;
      iii. Fire Potential Index Model Output probability large fire;
      iv. Fire Potential Index Model Output probability catastrophic fire;
      v. Fire Potential Index Model Output probability large or catastrophic fire;
      vi. Dead Fuel Moisture – 10-hour;
      vii. Dead Fuel Moisture – 100-hour;
      viii. Dead Fuel Moisture – 1000-hour;
      ix. The grid cell index;
      x. The valid time for the forecast hour start (UTC);
      xi. The valid time for the forecast hour start (PT);
      xii. Live Fuel Moisture - chamise new growth;
      xiii. Live Fuel Moisture – herbaceous;
      xiv. Live Fuel Moisture – woody;
      xv. Temperature at 2m above ground (f);
      xvi. Forecast sustained windspeed in miles per hour;
      xvii. Wind direction degrees;
      xviii. vapor pressure deficit milibar;
      xix. friction velocity;
      xx. Relative Humidity (%);
      xxi. Turbulent kinetic energy at 50m above ground level;
      xxii. Forecast wind speed at 300m above ground level in miles per hour;
      xxiii. alignment of terrain and wind direction, degrees;
      xxiv. Date/time the weather model run is initialized (UTC);
      xxv. Grid cell's mid-point latitude;
      xxvi. Grid cell's mid-point longitude;
      xxvii. sum of tree overstrike in this grid cell in ft;
      xxviii. accumulated precipitation;
      xxix. Forecast wind speed at 50m above ground level in miles per hour;
      xxx. 2021 IPW Model Output Probability of Animal 3rd party outage;

xxxi. 2021 IPW Model Output Probability of Electrical 3rd party outage;
xxxii. 2021 IPW Model Output Probability of Structural Equipment outage;
xxxiii. 2021 IPW Model Output Probability of Unknown Cause outage;
xxxiv. 2021 IPW Model Output Probability of Animal 3rd party outage;
xxxv. 2021 IPW Model Output Probability of Ignition from above outage 2021 IPW model probabilities translated to ignition probability by cause;
xxxvi. buildings impacted in fire spread simulation 8 hours;
xxxvii. population impacted in fire spread simulation 8 hours;
xxxviii. fire spread area in acres 8 hours;
xxxix. rate of spread in ch/hr on fire front for first 2 hours of simulation;
xl. flame length in ft on fire front for first 2 hours of simulation;
xli. Forecast wind gust in miles per hour; and
xlii. Date/time the technosylva model run is initialized (UTC).

B. Costs To Comply

To the extent that a given Reporting Requirement is new and did not bind PG&E prior to the execution of the Settlement Agreement, PG&E reserves the right to record in the Wildfire Mitigation Balancing Account any incremental costs necessary to comply with that Reporting Requirement. Any such costs will be subject to reasonableness review by the Commission.

ATTACHMENT 2

Final 2020 WMCE Revenue Requirement					
	Electric Distribution	**Gas Distribution**	**Electric Generation**	**Gas Transmission**	**Total by LOB**
Expense RRQ	945,530	10,835	84	2,444	958,894
Capital RRQ	73,260	4,579	394	772	79,006
Total RRQ	**1,018,790**	**15,415**	**478**	**3,216**	**1,037,900**

END APPENDIX 1

APPENDIX 2

Joint Summary Table - Attachment A
2020 Wildfire Mitigation & Catastrophic Events (WMCE)
Application (A. 20-09-019)

PG&E Cost Recovery Ask 'As-Filed' and Party Recommendations
Shown in Costs

	Memorandum Account[1]	PG&E[2] As-Filed 9/30/2020	Cal Advocates[3]	TURN[4]	Thomas Del Monte	Wild Tree Foundation
	(dollars 000's)	Costs	Costs	Costs	Costs	Costs
1	**O&M Expense**				See Note 5	See Note 6
2	FHPMA	$ 291,557	$ 277,747	$ 169,857		
3	WMPMA	$ 713,784	$ 574,326	$ 416,784		
4	FRMMA	$ 5,900	$ 3,323	$ 5,900		
5	CEMA	$ 174,431	$ 112,634	n/a		
6	LCPIA	$ 77	$ 77	n/a		
7	RRRMA	$ (3,738)	$ (20,495)	n/a		
8	**Total O&M Expense**	**$ 1,182,011**	**$ 947,612**	**$ 592,541**		
9	**Capital Expenditures**					
10	WMPMA	$ 573,997	$ 432,515	$ 328,592		
11	FRMMA	$ 17,643	$ 15,235	$ 17,643		
12	CEMA	$ 209,596	$ 138,926	n/a		
13	**Total Capital Expenditures**	**$ 801,236**	**$ 586,676**	**$ 346,235**		
14	**Grand Total**	**$ 1,983,247**	**$ 1,534,288**	**$ 938,776**		

PG&E RRQ 'As-Filed' and Cal Advocates Recommended Revenues
Shown in RRQ

Memorandum Account	PG&E As-Filed 9/30/2020	Cal Advocates[7]	TURN, Wild Tree Foundation, Thomas Del Monte
(dollars 000's)	RRQ	RRQ	RRQ
O&M Expense			See Note 8
FHPMA	$ 293,269	$ 277,780	
WMPMA FRMMA	$ 720,325	$ 577,648	
CEMA	$ 174,433	$ 112,634	
LCPIA	$ 77	$ 77	
RRRMA	$ (3,738)	$ (20,595)	
Total O&M Expense	**$ 1,184,366**	**$ 947,544**	
Capital Expenditures			
WMPMA FRMMA	$ 19,548	$ 12,447	
CEMA	$ 76,743	$ 50,485	
Total Capital Expenditures	**$ 96,291**	**$ 62,932**	
Grand Total	**$ 1,280,657**	**$ 1,010,476**	

Settling Parties' Settlement Revenues
Shown in RRQ

Memorandum Account	PG&E, Cal Adv, FEA As-Filed 9/21/2021[9]
(dollars 000's)	Settlement RRQ
O&M Expense	
FHPMA	$ 240,041
WMPMA FRMMA	$ 589,586
CEMA	$ 142,772
LCPIA	$ 63
RRRMA	$ (13,569)
Total O&M Expense	**$ 958,893**
Capital Expenditures	
WMPMA FRMMA	$ 15,834
CEMA	$ 63,172
Total Capital Expenditures	**$ 79,006**
Grand Total Settlement RRQ	**$ 1,037,899**
Settlement Percentage	**81%**

Footnotes:

1 The following parties did not provide specific cost recovery proposals: FEA (Exhibit FEA-01), SCE, and JCCA.
2 See PG&E (Exhibit PGE-001). Costs reflect the cost recovery ask in Application A.20-09-019 filed on 9/30/2020. PG&E Revenue Requirement (RRQ) "As-Filed" is reflected excluding interest (see Table 10-1).
3 See Cal Advocates (Exhibit PA-01) Table 1-1.
4 See TURN (Exhibit TURN-001-Rev.1). Table 1 of Exhibit TURN-001-Rev.1 reflects a cost proposal presented as costs.
5 See table titled "PG&E Cost Recovery Ask "As-Filed" and Party Recommendations to Specific CEMA Events Shown in Costs" for Thomas Del Monte's recommendations on costs.
Thomas Del Monte (Exhibit TDM-02) recommends a deduction of $104.9 million from any recovery in this proceeding corresponding to the requested recovery of Tubbs Fire CEMA account costs. Mr. Del Monte further recommends that the Commission make the determination that any recovery of current or future Tubbs Fire CEMA costs is unjust and unreasonable as a matter of law. The recorded costs for the Tubbs Fire CEMA Event submitted by PG&E in this proceeding total $104.9 million with $64.9 million in expense and $40.9 million in capital (Exhibit PGE-001, Table 10-1).
6 Wild Tree Foundation recommends a reduction of $166,633,201 from PG&E's WMPMA request for 2019 October and November PSPS events (no recovery for capital and no recovery for expenses); $34,201,000 reduction for 2019 PSPS Program costs (no recovery of expenses); and a reduction of at least $429,393,000 for certain CEMA Event requests (capital and expense details are provided in Joint Summary Table 2).
7 See Cal Advocates(Exhibit PA-10) (Revenue Requirement Testimony), Table 10-2 (expense) and Table 10-3 (capital).
8 TURN, Wild Tree Foundation, and Thomas Del Monte do not present cost recovery proposals as revenue requirement.
9 See Joint Motion of the Public Advocates Office, Federal Executive Agencies, and PG&E for Approval of Settlement Agreement filed on 9/21/2021.
Under Section 5 of the proposed Settlement Agreement, the Settling Parties propose to settle on the basis of a five-year revenue requirement, not costs. Future revenue requirements (depreciation expense, taxes, and return) associated with all capital expenditures ($801.2 million) submitted in A.20-09-019, as presented in Exhibit PGE-001, Table 9-2, will be included in future GRCs or as authorized.

Joint Summary Table - Attachment A
2020 Wildfire Mitigation & Catastrophic Events (WMCE)
Application (A. 20-09-019)

PG&E Cost Recovery Ask 'As-Filed' and Party Recommendations to Specific CEMA Events Shown in Costs

	CEMA Events booked to CEMA	PG&E As-Filed Unadjusted[1] 9/30/2020	Thomas Del Monte[2]	Wild Tree Foundation[3]
	(dollars 000's)	Costs	Costs	Costs
1	**O&M Expense**			
2	2018 Carr File	$ 630	no position	no position
3	2019 Jan and Feb severe storm	$ 110,842	$0.00	$0.00
4	2019 Ridgecrest Earthquake	$ 3,260	no position	no position
5	2019 October Wind / PSPS Event	$ 7,893	$0.00	$0.00
6	2019 Bethel Island Fire	$0.00	$0.00	$0.00
7	2019 Camino Fire	$0.00	$0.00	$0.00
8	2019 Glencove Fire	$0.00	$0.00	$0.00
9	2017 Cherokee Fire	$ 90	no position	no position
10	2017 La Porte Fire	$ 61	no position	no position
11	2017 Tubbs Fire	$ 95,595	$0.00	$0.00
12	**Subtotal O&M Expense**	**$ 218,371**	**No Position**	**No More than $4,041**
13	**Capital Expenditures**			
14	2018 Carr File	$ 1,535	no position	no position
15	2019 Jan and Feb severe storm	$ 93,781	$0.00	$0.00
16	2019 Ridgecrest Earthquake	$ 2,134	no position	no position
17	2019 October Wind / PSPS Event	$ 9,263	$0.00	$0.00
18	2019 Bethel Island Fire	$ 24	$0.00	$0.00
19	2019 Camino Fire	$ 10	$0.00	$0.00
20	2019 Glencove Fire	$ 200	$0.00	$0.00
21	2017 Cherokee Fire	$ 130	no position	no position
22	2017 La Porte Fire	$ 804	no position	no position
23	2017 Tubbs Fire	$ 111,785	$0.00	$0.00
24	**Subtotal Capital Expenditures**	**$ 219,666**	**No Position**	**No More than $4,603**
25	**Grand Total**	**$ 438,037**	**No Position**	**No More than $8,644**

Footnotes:

1 See PG&E (Exhibit PGE-001). CEMA Event Costs reflect the total recorded costs by CEMA Event, unadjusted for the removal of Overheads and A&G (approximately $29 million) and Insurance Proceeds applied to the Tubb Fires (approximately $25 million). These adjustments, which total approximately $55 million when rounded, were made at the total expenditure level for CEMA and not by CEMA event. Therefore, the total expenditures by CEMA Event (unadjusted) is approximately $55 million less than total CEMA expenditures (adjusted).

2 See Thomas Del Monte (Exhibit TDM-02) recommends a deduction of $104.9 million from any recovery in this proceeding corresponding to the requested recovery of Tubbs Fire CEMA account costs. Mr. Del Monte further recommends that the Commission make the determination that any recovery of current or future Tubbs Fire CEMA costs is unjust and unreasonable as a matter of law. The recorded costs for the Tubbs Fire CEMA Event submitted by PG&E in this proceeding total $104.9 million with $64.9 million in expense and $40.9 million in capital (Exhibit PGE-001, Table 10-1).

3 Wild Tree Foundation recommends a reduction of $166,633,201 from PG&E's WMPMA request for 2019 October and November PSPS events (no recovery for capital and no recovery for expenses); $34,201,000 reduction for 2019 PSPS Program costs (no recovery of expenses); and a reduction of at least $429,393,000 for certain CEMA Event requests (capital and expense details are provided in Joint Summary Table 2).

END APPENDIX 2